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13 UNITED STATES BANKRUPTCY COURT
14 EASTERN DISTRICT OF CALIFORNIA
15 [Sacramento Division]

16 In re:

17 CALIFORNIA COMMUNITY
18 COLLABORATIVE, INC.,

19
20 Debtor.

21 Case No. 14-26351-C-11
22 Docket Control No. MHK-12

23 Date: April 22, 2015
24 Time: 10:00 a.m.
25 Dept: C (Courtroom 35)
26 Hon. Christopher M. Klein

27 **DEBTOR'S MOTION FOR AUTHORITY TO ENTER REAL PROPERTY LEASE**

28 California Community Collaborative, Inc., as debtor in possession (the "Debtor"),
hereby requests an order authorizing it to lease approximately 39,000 square feet of
space at its real property commonly known as 655 West 2nd Street, San Bernardino,
California (the "Real Property"), to Rex and Margaret Fortune School of Education, a
public non-profit benefit corporation ("Fortune"). In support of this motion, the Debtor
respectfully represents as follows:

29 **I. BACKGROUND**

30 On June 17, 2014 (the "Petition Date"), the Debtor filed a voluntary petition for
31 relief under chapter 11 of title 11 of the United States Code ("Code"). The Debtor is a
32 California corporation that is in the business of owning and operating the Real Property
33 as an office-commercial rental property. The Real Property has about 88,000 square

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1 feet of space available for lease to tenants. See Declaration of Merrell G. Schexnydre
 2 ("Schexnydre Declaration"), ¶¶ 3, 4, submitted herewith.

3 Since before the Petition Date, the bulk of the Real Property has been
 4 unoccupied, with only about 26,000 square feet of space under lease to the Judicial
 5 Council of California. The proposed lease with Fortune would substantially increase the
 6 space under lease at the Real Property, income from which will permit the Debtor to file
 7 a Plan of Reorganization based on ongoing business income and profits. See
 8 Schexnydre Declaration ¶ 4.

9 Although the Debtor has historically leased space at the Real Property in the
 10 ordinary course of its business, the Debtor brings this motion for authority to lease the
 11 space as described below, so as to permit creditors to review the terms of the proposed
 12 lease and to give assurance to Fortune that the Debtor has authority to enter and
 13 consummate the lease agreement.

14 Jurisdiction for this motion exists under 28 U.S.C. § 1334, and venue in this
 15 court is proper under 28 U.S.C. § 1409. This is a core proceeding pursuant to 28
 16 U.S.C. § 157(b)(2)(M). The Debtor brings this motion under 11 U.S.C. § 363, and
 17 pursuant to Federal Rule of Bankruptcy Procedure 6004.

18 II. TERMS OF THE LEASE WITH FORTUNE

19 The Debtor has entered a written Standard Multi-Tenant Office Lease - Gross
 20 dated March 11, 2015 and Addendum to Lease (collectively, the "Lease"), which
 21 names the Debtor as lessor and Fortune as lessee in regard to approximately 39,000
 22 square feet of space at the Real Property. The term of the Lease runs from August 1,
 23 2015 through July 31, 2025. A true and correct copy of the Lease, including the
 24 related Work Letter Agreement thereto is submitted as Exhibit 1 to the Schexnydre
 25 Declaration. Base rent payable to the Debtor for the first year of the Lease is set at
 26 \$52,650 per month. The Lease provides for Fortune to pay a security deposit of
 27 \$52,650 and the first month's lease on execution of the Lease, for the total sum of
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1 \$105,300. The Lease includes a provision giving Fortune the option to extend the
 2 lease for two five-year periods.

3 Under the Lease, there are scheduled increases in base rent each calendar year,
 4 and base rent will be \$67,210.14 during the last year of the term of the Lease. Under
 5 the Lease, Fortune is to pay the expense of utilities within the space leased by Fortune,
 6 and the Lease otherwise sets out the specific expenses associated with the Real
 7 Property that are otherwise payable by the Debtor as landlord. The Debtor and Fortune
 8 have cooperated to help assure that Fortune will obtain a needed conditional use permit
 9 from the City of San Bernardino to permit the use of the premises as an educational
 10 facility by the August 1 commencement date for the Lease. If there is a delay,
 11 however, the Lease provides that Fortune may commence occupancy on either
 12 November 1, 2015, during the first intersession for the school term, or January 1,
 13 2016, during the second intersession. See Schexnydre Declaration ¶ 6, Exh. 1.

14 **III. RELIEF REQUESTED BY THE DEBTOR**

15 The Debtor believes that the terms of the Lease are the best that can be
 16 obtained under current market conditions. The Debtor has projected its income and
 17 expenses operation of the Real Property with the Lease in effect, and has concluded
 18 that revenues and profits from the Lease and from the tenant under the existing lease
 19 for space at the Real Property will be sufficient to fund a Plan of Reorganization. Based
 20 on pending bids for a lease with the County of San Bernardino, the Debtor believes that
 21 it has a good chance of leasing additional space at the Real Property that will cause it to
 22 approach full occupancy. See Schexnydre Declaration ¶ 7.

23 Finally, the Lease will increase the value of the Real Property to an extent that
 24 will permit the Debtor to obtaining financing for the tenant improvements that are to be
 25 made to the Real Property, and ultimately to obtain refinancing that will retire the
 26 existing loan that is secured by a deed of trust held by California Bank & Trust. See
 27 Schexnydre Declaration ¶¶ 7, 8.

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The circumstances of this case demonstrate that the Lease is in the best interest of creditors, the Debtor, and the bankruptcy estate.

III. CONCLUSION

For the reasons set forth above, the Debtor respectfully requests an order providing as follows:

1. Authorizing the Debtor to enter the Lease;
2. Authorizing the Debtor to take those actions and enter such agreements necessary to effectuate the Lease and carry out its terms, such as to enter appropriate subordination and non-disturbance agreements, and
3. Providing for such other relief as this court deems proper.

Dated: Mar. 25, 2015

MEEGAN, HANSCHU & KASSENBROCK

By: 
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